

Conference Call Transcript

DUK - Duke Energy Corporation at Calyon Securities Utilities Conference

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As we continue with our program, discussing opportunities for growth ahead, we are very pleased to have David Hauser, the CFO of Duke Energy, and Jim Rogers, the CEO of Cinergy, both of which, when the companies combine, will maintain their current positions, to tell us about the opportunities for their combined Company going forward. We will start off with David.

David Hauser - Duke Energy Corporation - CFO

Thanks for joining us. We will spend a few minutes on several remarks, and Jim and I will kind of split the time here. And then we will have some time for Q&A at the end. This disclosure statement is something we have to put before you, and certainly you are encouraged to look over. And we are required to include this statement of non-GAAP financials. In addition to this regular disclosure statement, we have certain non-GAAP financial measures as defined under SEC Regulation G. And the reconciliation of those measures is included in the presentation materials, and is available on our website at dukeenergy.com.

So into the meat. Duke Energy reported third-quarter earnings last month, and we're very pleased with where we are. For the year to date, September 30, we reported \$1.29 EPS. There was quite a bit of noise in that number. Then when you adjust for special items and discontinued operations, our ongoing results reached \$1.37. That is a 12% increase in ongoing results for the first nine months of this year over the same period last year.

All of our business segments delivered solid earnings growth, which gives us confidence that we will exceed our EPS incentive target of \$1.65 per basic share for the full year 2005. The only factors that could really hurt us at this time is a significant move in crude oil prices or surprises from our mutual insurance companies..

Now let me briefly review our expectations for the remainder of 2005 and provide some details on what we expect for 2006. Overall, each of our reporting segments have exceeded our expectations for the end of the third quarter, and we expect a good fourth quarter to help us exceed our target incentive.

Let me start with Franchised Electric. Given the hot summer weather we experienced in the Carolinas and our success with bulk power marketing, we expect that our power business will deliver ongoing earnings slightly better than last year. This is an upward revision in our expectations from the end of the second quarter, when we thought the full-year results would be slightly lower than last year.

Our Natural Gas Transmission business continues to deliver solidly. Our expectations for segment EBIT growth at Natural Gas Transmissions are unchanged at 3 to 5% annually, with 2005 coming in at the high end of that range.

Field Services, which now represents Duke Energy's 50% interest in Duke Energy Field Services, continues to benefit from this year's strong commodity prices and operating improvement. Ongoing equity earnings for the fourth quarter of 2005 are expected to be at least as strong as the third quarter, which was \$87 million. And those earnings could exceed \$120 million, depending on commodity prices in the fourth quarter. Keep in mind that this guidance is also net of interest expense and a small amount of income taxes relating to certain operations within the Field Services segment, due to the change in accounting as required by the move to a 50-50 ownership structure with Conoco Phillips.

Given the strong performance of our international operations so far this year, we expect to see ongoing segment EBIT of approximately \$300 million. This is a significant increase over the ongoing results for 2004, which were approximately \$236 million.

Crescent Resources continues to benefit from the strong real estate market, and is expected to have another outstanding year. For the full year of 2005, we expect Crescent to deliver significantly more than \$250 million in segment EBIT from continuing operations and discontinued operations.

Going forward, Crescent will continue to have a robust real estate portfolio. We have deployed additional capital expenditures to Crescent to enhance their opportunities in the higher-growth real estate market, and in return, Crescent has generated more earnings for our shareholders and returned more cash to its parent than was anticipated. At the end of the third quarter, the book value of Crescent's portfolio was more than 1.3 billion, compared with 1.1 billion at the end of 2004. So you can see all our businesses are performing well and delivering outstanding results.

Now a couple other items of interest. Other EBIT includes the change in mark-to-market values of the de-designated hedges from Field Services, DENA's continuing operations in the Midwest, cost of our captive and mutual insurance companies, as well as the cost of corporate governance at Duke Energy. Ongoing Other EBIT is expected to be about 310 million in net expenses for the year 2005. This amount excludes any changes due to mark-to-market fluctuations on Field Services' de-designated hedges, since we have no way of estimating what that variance would be at this time. This guidance also does not reflect the full impacts associated with hurricane damage. We didn't have significant losses on our own systems, but we're still waiting on the status of our industry mutuals.

Lastly, we continue to expect interest expense for the full year of 2005 to be approximately \$1.1 billion.

We know many of you are focusing on 2006 now. And we expect to be able to share with you in late December our earnings per share incentive target for next year, providing we have our Board approval. What I can say at this time is that we will not take anything to the Board that is lower than this year's numbers. We expect to review our business unit expectations for 2006 at the same time we release our annual results for 2005, which is anticipated in early February.

Now let me give you an update on the gas operations, given the recent hurricane season. This slide shows the paths taken by Hurricanes Katrina and Rita in relation to the DEGT pipeline, shown here in red. The grey line you see represents third-party pipeline routes in the same region. These two storms affected producers, the offshore and onshore natural gas production systems, gathering systems, as well as processing plants.

The most significant long-term challenge facing Texas Eastern was the damage to the Venice processing plant, which took a direct hit from Katrina. With Venice down, approximately 250 million cubic feet per day of gas supply, which required processing, was not available to our customers on the Texas Eastern system. However, through our storage facilities, we were able to meet all the requirements of our customers. And those facilities are today about 95% full.

Since October 12, Duke Energy Gas Transmission has taken a number of proactive steps and helped restore access to gas supplies for its customers. We recently announced an agreement with Discovery to process gas through their plant as an alternative to processing incentives. This allows us to replace all the volumes lost at Venice.

Texas Eastern has also completed an interconnect in the West Louisiana access area to allow our customers to contract for up to 100 million cubic feet per day of LNG supply via the Trunkline system. We've been very pleased with the FERC's attention to getting the gas pipeline infrastructure

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back in shape. They have been quick to address temporary measures to expedite infrastructure requirements and mitigate supply disruptions caused by these hurricanes.

Now let me give you some details around the impact on gas supplies coming into our Texas Eastern system. This slide has a lot of numbers, but I'm going to talk about just a couple of them.

The first column shows the impact of Katrina on the gas supplies coming into Texas Eastern, a loss of about 650 million cubic feet per day. The second column shows the combined supply loss of approximately 1.1 billion cubic feet caused by Hurricane Rita on top of the residual effects of Katrina. The third and fourth columns illustrate the recovery of gas supplies on the systems over the last couple of months. And today, we're back to prehurricane supply levels.

While we have restored access to gas supplies, Duke Energy Gas Transmission remains concerned about the overall level of flowing gas supplies this winter. Concerns over tight supply and price volatility have prompted our customers to seek supply diversity. The pipeline industry is working hard to provide these supplies. Our recently announced project with CenterPoint Energy is a good example of our efforts to provide these supplies.

A couple of weeks ago, our Natural Gas Transmission business announced a proposed pipeline that would serve markets in the Southeast. Duke Energy will partner with CenterPoint Energy Gas Transmission in this project. The first step in making this pipeline a reality will be an open season to determine customer interest. We expect this to occur this month. We currently expect that customer interest will result in a pipeline with a capacity in the range of 700 million cubic feet per day to 1 billion cubic feet per day.

The pipeline would provide customers access to growing and reliable onshore supply sources, mainly from the Barnett Shale and the Bossier Sands gas producers. The expected pipeline route will connect CenterPoint's Northeast Louisiana Perryville hub with the Gulfstream pipeline system, which commences in Mobile Bay. The earliest that this pipeline could be in service would be the spring of 2008.

We believe our gas storage capabilities give us a distinct advantage in the pipeline business. Duke Energy has more than 258 billion cubic feet of storage capacity, making us one of the largest providers of gas storage services. We are continually evaluating our customers' needs for gas storage, which has resulted in the expansion of several fields. We're currently working to improve our market area storage on the Texas Eastern system.

One of these projects is to enhance reliability and flexibility of our Accident Storage Facility. I'm not in charge of putting names on these projects. These improvements will increase the maximum capacity by 2 billion cubic feet, and increase working gas by 3 billion cubic feet. This project could be completed as early as next fall, in time for next year's heating season.

In a related matter, FERC has approved a request by Texas Eastern to increase the Accident Storage Facility capacity on a temporary basis. This will provide an additional 500 million cubic feet of storage capacity for this year's heating season.

Of course, the biggest news from Duke in the last couple of weeks was the announcement of the pending transfer of a substantial portion of DENA's portfolio of derivative contracts to Barclays Capital. So let me go through what we have done with DENA.

Our original announcement of the decision to exit the DENA business came a little over two months ago. And we've provided an update of our expectations in the third-quarter earnings call. This slide is a summary of that information. The third-quarter 2005 net pretax charge associated with the decision to exit these businesses was approximately \$1.3 billion or \$800 million after tax. The net charge includes approximately \$600 million related to the generation assets and about \$700 million related to forward gas and power purchase and sales contracts. We also noted that we would be recognizing a gain of approximately \$100 million within the next 12 months from the settlement of the contracts.

In the third-quarter call, we provided an estimate of additional transaction and termination costs and the impact on our nonderivative contracts. This estimate was in the range of \$600 to \$800 million and will be recognized as we exit the DENA system.

One number I would like to provide an update on is pretax sensitivities to a \$1 move in spark spread. At the end of October, this number was approximately \$20 million. With the transactions we have been working on since then, the sensitivity had lowered to about \$13 million. The progress is the outstanding result of DENA's hard-working staff, making efforts to mitigate the mark-to-market disclosure associated with crashing these hedges forward.

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Now let me summarize where we are with DENA today. The largest step in winding down this business was the announcement with respect to this Barclays transaction. In that transaction, Duke Energy will pay Barclays approximately \$700 million. This payment reflects the amount by which the portfolio is below current market value, in addition to certain transaction costs.

The majority of this payment will be substantially offset by net collateral returned to Duke Energy as the contracts are transferred to Barclays. Effective on the date of signing, Barclays essentially assumes all the credit, collateral, market and legal risks associated with this portfolio of contracts. The underlying contracts will be transferred to Barclays in the following months.

The remaining portfolio of contracts that are still at DENA are being marketed separately. With the completion of the Barclays transaction, we will have transferred about 95% of the total portfolio. We currently have about 70% of the gas transportation, gas storage and structured contracts sold, and we continue to make progress on that front. Contracts associated with the generation assets will go away once we sell those assets.

We feel very good about our progress related to the sale of the assets. These discussions are going well and we fully expect to exit DENA's discontinued operations by midyear 2006, well ahead of our September 2006 goal. We continue to expect to receive a minimum of \$500 million in net cash inflow from the final disposition of DENA's assets and contractual position.

With that, let me ask Jim Rogers to come forward and discuss where we are with the merger. Jim?

Jim Rogers - Cinergy Corporation - CEO

Thank you very much and welcome. My assignment this morning is to give you a review of the merger and give you a quick update where we are. First, let me just remind you of the merger and the implications of it and where the value is actually created in our judgment. It combines two very strong franchised electric businesses.

We will have the opportunity to serve five states. We will have diversity of earnings that come from regulatory, geographic and weather diversity. It is a business where we expect to reap roughly \$300 million of savings by the third year. And I would say that, as I look at where we are in the integration process, we are making great progress. Our teams are working very well together. And I'm very pleased with the progress that we've made and the leadership of Tom O'Connor in terms of making that happen.

In addition to combining two very strong regulated franchises, we're also combining deregulated generation in the Midwest. As you all know, in Ohio back in 2000, they deregulated in the state. As a consequence of that, all of our generation was deregulated. We have 4100 megawatts today. We combine that with the 3600 megawatts that Duke has, which are primarily combined cycle and gas peaking. That combination really is a very strong portfolio that will allow us to compete.

As I'll talk more about in a moment, there is uncertainty about how Ohio evolves after '08 and the rate stabilization plans in Ohio, but it gives us the capability to really serve our load in Ohio and surrounding regions. And we sit on the fault line between PJM and ISO. It gives us a unique advantage in two of probably the most advanced markets in the country.

In this slide, the takeaway here is it gives you a sense of the location, but probably more important, the mix of generation that we have. If you added up that mix of generation, what you would find is a mix that reflects the national averages with respect to our generation.

The other point that I would make, and this is very important because we're starting at the beginning of another building cycle in our industry, is that both companies are looking at building new generation. Duke is exploring the building of a pulverized coal plant, all of which will be included in rates in the Carolinas, and further on, a nuclear unit in the Carolinas. Cinergy is now looking at a coal gasification or clean coal project in Indiana. So we have significant opportunities to add to our regulated generation, and I think that is the most important takeaway from this particular slide.

Now let me give you an update in terms of where we are with our merger approval. We've filed in all five states. We have received approval in South Carolina and just this week, received approval in Kentucky. Also this week, in North Carolina, we reached settlement with the public staff. There is a hearing on December 13 and we anticipate an outcome in North Carolina sometime in January 2006.

In Indiana and Ohio, there are hearings next week. We are very close in negotiations in both states. So progress is being made on the state level, and the savings sharing with each state is consistent with our expectations going into this merger.

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I will skip over Hart-Scott-Rodino; that is old news. As you know, we filed before the FERC. We've have very few interventions, if you compare the interventions associated with the Exelon merger, I mean, significantly less. And so we are in a very good position to get approval without a hearing and more to come on that in the weeks -- and in the next month.

We delayed our shareholder approval to February as a result of Duke's decision to exit DENA. They were required to do some recasting of past financials. Once that is completed and submitted to the SEC, we have a shareholder vote that will probably be in February. That is the current anticipation.

Let me stop for a moment and just focus on Ohio, because I think there's probably more uncertainty around Ohio than there is in any of the other states that we operate in. We have a transmission distribution case -- first case since '92. We've amended our request to roughly \$69 million. The staff has come in at a \$43-49 million range. I anticipate a settlement in this case for two reasons. One, its the best outcome in terms of the uncertainties, but more importantly, if we have to go to hearing in that proceeding, we will not be able to put those rates into effect on January 1, 2006. The settlement allows us to do that. So we're highly motivated to settle this case. And I think we're on track to do that.

The rate stabilization plan kicked in on January 1, 2005, where we raised rates for commercial and industrial customers. Now we will increase rates January 1, 2006 for our residential customers. I think an important point here is that under our regional plan, we have subsidized switching. As that subsidization rolls off, we're finding a lot of these customers coming back to us. And the good news is under our settlement; we have the ability to recover the incremental costs that are required to serve these customers as they return to our system.

We also have what I'm characterizing as regulatory light in Ohio, which simply means that we have the ability to recover some fuel cost such as the increases in coal prices, gas prices, emission allowance costs, as well as purchased power. We also have the capability to recover any capital that we spend with respect to environmental by adjusting our base rate.

Let me now give you a sense of how we're thinking about the future when the rate stabilization plans end in '08. The big question that everybody asks in Ohio, and I look out across this group and some of you all have asked, is what happens in 2009? Do we go back to a fully regulated cost of service? Do we have market-based rates for generation? Do they extend the rate stabilization plans? I think it is unclear. And I think with high gas prices and higher prices across the states, I think the probability that politicians get involved in this at the state level, state legislature, is high as we go forward. If I had to guess on which one of these would happen, I think the most likely scenario is they extend the rate stabilization plan. From our standpoint, that is not a bad angle. We also, as First Energy has, are looking at moving our generating assets out of CG&E. So that is just something that we are considering and no decision has really been made with respect to that yet.

Now what I would like to do is go back and spend a moment talking about the new team that we've put together. If you look at my direct reports in this organization, and Paul Anderson, that combination of people has over 240 years of experience. That is a lot of experience. I think that is a good thing, particularly as we look at where this industry is going in the future. It gives us the capability, quite frankly, to think about the business better, in my judgment. I think this a very strong team.

Let me just spend a moment and introduce them. You know Paul, of course, who will be Chairman, and I have an opportunity to be CEO. Fred Fowler will be responsible for our natural gas operations. Fred has had a long history in this business and does a great job running that organization.

Jim Turner will be the Chief Commercial officer of the Franchised Electric operations. He will be responsible primarily for the commercial functions at Duke Power, PSI and PG&E. He will be focused on revenues and the profitability for those units, in addition to all the legal, finance, rates and regulatory functions.

Tom O'Connor will lead the Franchised Gas and Electric operations. He will focus on the cost side of the business. He is leading our integration, as I mentioned a moment ago. We think it is perfect to take a guy that was responsible for the planning and integration and then say deliver the lion's share of what you promised, because most of those savings really come out of this area of the business, which will include all our generation, our transmission, our distribution, our customer service. Those will be the primary functions that Tom has.

Ruth will lead the nuclear part of our business, with includes nuclear strategy and the operations, environmental policy and other public policy issues. Paul Barry will lead Duke Energy Americas. Paul was in the M&A part or corporate development at Duke. He basically is going to run all our nonregulated generation, as well as our trading and marketing business and the international operations of the Company.

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You know all about David. Nothing more there. Julie Dill will lead our investor relations and communications efforts. What we have done is we've combined our IR and corporate communications. Keith Trent will lead our corporate development activities. Marc Manly will be Chief Legal Officer of the Company. In addition, he will be responsible for federal affairs, internal audits, ethics and compliance activities.

Chris Rolfe will lead the human resources function. And Jim Mogg, who is a terrific leader of the Company, will become Advisor to the Chairman with a primary focus on resolving and working through Crescent Resources.

This is a very strong team. They have a lot of experience. I think we have the capability to achieve our objectives going forward.

Let me summarize before I opened it up for questions. As we look out to our first full year in 2007, our current projection is that we'll have about \$2.00 per diluted share in '07. As we look out into future years, we anticipate 4 to 6% growth in earnings. We have strong growth opportunities, both from organic growth, as well as investment and reinvested in our systems.

These two companies, if you look at just the gas part and the power part, are two very strong franchises. It gives us a great opportunity to expand those platforms in an industry that is consolidating. We are well-positioned. Our belief is we have to earn the right to consolidate, and to me that is all about getting the regulatory approval in a timely way and on a favorable basis, as well as delivering sales. And we're going to try to do both.

With that, David, if you want to come back up, and we can spend a few moments talking about and responding to any questions that you all might have.

QUESTION AND ANSWER

Craig Shere -Calyon Securities

Thank you, Jim and David. I wonder if you could comment about how core DEFS is to Duke Energy. You did a sell-down from 70-30 to a 50-50 split with Conoco Phillips. You have a pending IPO that's for a small percentage of the business. Longer term, could you see possibly not being in this business at all?

David Hauser - Duke Energy Corporation - CFO

I think that is a business that Duke Energy does not have to own. But it is not a business that we have any plans of changing our position in the near term. If the right opportunity came along with more value to somebody else than it was us, we would certainly take a look at it.

One of the key points of where Duke is in I now that we completed a period of selling assets to strengthen the balance sheet. At this point, we will still be portfolio managers, so there will be assets we buy and assets we sell. But any asset we sell will be for strategic and opportunistic reasons, as opposed to necessity reasons, which I think, are a very different reasons.

Mark Finn - T.Rowe Price

I have three questions. I think they're more focused for David. With the announced CenterPoint deal or the joint venture on that pipeline, is there a need for you guys to buy the other 50% of Gulfstream ?

David Hauser - Duke Energy Corporation - CFO

I think there are several things that could happen to Gulfstream. Certainly if it were the right opportunity, we would look at buying it, but we are pleased with our partnership. We do not need to buy it, in effect. There are a variety of different options with Gulfstream, but fundamentally, we are pleased with our position and unless it was something very advantageous, we would not proactively pursue a change in ownership.

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Mark Finn - T. Rowe Price

The second question I had is on page 11, because as I work through the exit of DENA, you talked about selling down most of the book, so the plants that are left, this 6300 megawatts. I mean, there are not a lot of bad contracts on those. So if I look at what you might fetch for those, and I come up with some sort of a scenario that one can easily come up with, I get a little in excess of \$1 billion. With \$700 million for Barclays to secure 95% of the trade book, and that is a net cash breakeven deal, from what you had said, with the collateral coming back. So I kind of look at the potential money coming in from the plant sale, and then in the gas transportation contracts you talked about, did you say you were like 70% out of those as well?

David Hauser - Duke Energy Corporation - CFO

Yes, we're 70% done at this point. And most of that has occurred in the fourth quarter. So it hasn't been reflected in any accounting that we have done.).

Mark Finn - T. Rowe Price

So the cost to exit, did you guys say it was between \$200 to \$700 million or something?

David Hauser - Duke Energy Corporation - CFO

This was the \$600 to \$800 million dollar range.

Mark Finn - T. Rowe Price

That number just seems high to me, that \$600 to \$800 million. When I look at your net proceeds of you're saying in excess of \$500 million, and then I look at the plans and the potential value for the plant, I mean, can you comment at all on where you are now?

David Hauser - Duke Energy Corporation - CFO

I think the way to look at it is this. We are very comfortable with the \$500 million. We're working through the bids on the plant. We are working through conclusion of the book. And of course, part of the issue is how much does it really cost you get out of every different piece of the book? So I think our \$500 million is a number we will achieve and I think that there's a chance it's a little better than that.

Mark Finn - T. Rowe Price

One last question is in Franchised Electric, when you give your growth outlook of zero to 2% through 2007, you are beginning to look at more CapEx in the Franchised Electric unit. At what point might you revisit the potential growth prospects in Franchised Electric, given that you may have some rate base expansion, which I would assume eventually would lead to earnings growth, when might we see that revised?

David Hauser - Duke Energy Corporation - CFO

I think we will be having a discussion about that when we come out with our '06 guidance, which will be roughly February of '06. But part of the CapEx is needed in order to get to the upper end of the zero to 2, the CapEx is an important part of that.

Leslie Rich - Columbia Asset Management

David, in international, you are saying you're going to come in around 300 million for '05. What do you attribute that to? Because beginning of the year, I think you were more at about \$230 million ?

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David Hauser - Duke Energy Corporation - CFO

That business is experiencing several good things. The Brazilian real has gone our way this year. That would be one thing. The Brazilian business, the hydrology (plant operations) has done okay. And then I think the other point is our ownership in National Methanol clearly is sensitive to commodity prices. That has also changed and is a big thing.

Leslie Rich - Columbia Asset Management

As you look forward, I guess I have to wait till February to get your outlook for international. I mean, you're selling that at some point, but no rush to do that right?

David Hauser - Duke Energy Corporation - CFO

I think it fits into the characterization I said earlier, that we don't have to own international -- if the right opportunity came along to monetize, we would be interested. But I think part of the dynamic right now is between the merger, MLP, and the Canadian Income Trust; that is all we can manage right now.

Wen-Wen Chen - Pacific Investment Management Company LLC

Question for Jim. You said that Jim Mogg would be working through Crescent Resources, and I was wondering if you meant that you were looking at a sale of that business?

Jim Rogers - Cinergy Corporation - CEO

No, we are really trying to see if it makes sense to restructure that business.

Wen-Wen Chen - Pacific Investment Management Company LLC

Jim, you have spoken quite often about the need to prove that you have the right to consolidate in this industry. Could you chat about assuming that everything goes well and you achieve at least the majority of synergies you're talking about with this merger, can you talk about the longer-term outlook for the combined Duke/Cinergy as a consolidator in terms of the industry?

Jim Rogers - Cinergy Corporation - CEO

It is my judgment we are in the front end of the second wave of consolidation in this industry that really started in the early 90's. I think for a variety of different reasons, you can see that evolve. One of the things, and this gets back to the point of earning the right, one of the things that we're putting together is what I call a merger scorecard. The way we're going to talk to you about how we're going to judge ourselves by some specific measures of what we're doing.

So we're going to make it very transparent in terms of how we're creating value. Our initial focus has got to be on getting that right and demonstrating that to you, because as you know, the majority of mergers don't deliver what is promised. So getting that right is going to be particularly important to us.

If you think of the next wave of consolidation, it is very difficult for me to think specifically about Company A. versus Company B. I think you're going to see and just based on things that I hear going on in the industry today, there's a lot of people that are very interested in moving to the next level.

If you look at Exelon and Duke, after this merger, we will be two of the largest companies in the industry. And that is going to spur a lot of conversation with people. I don't want to get ahead of ourselves. Our first job is to deliver, and when we would deliver, then we will find ourselves, I believe, in a position to be able to do things that make economic sense for our shareholders.

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Craig Shere – Calyon Securites

What leads you to believe that an extension of the rate stabilization plan is the most likely outcome in Ohio? And what would you most like to see there?

Jim Rogers - Cinergy Corporation - CEO

The part I've observed what's going on with dates in terms of how they've extended it out to 2010, and that tells me that the staff of the commission as well as the commission thinks that's a good approach. I think because the chairman has been very smart, in my judgment, to enter into these rate stabilization plans, although we resisted at first because we wanted to go to market because of our low-cost generation.

When I look at the number of customers that are coming back to us today, and I see the subsidization is going away, my belief is there's going to be a great reluctance for re-regulating the state, in part because there are term limits and to go through that whole process again with a whole new set of legislators in the state would be very difficult, and I think would be very risky to go through that process.

The consequence of that I think most of the companies -- I mean, AEP is in a little different place, given what they want to do going forward. But I think most of the companies in the state are very comfortable with effectively having a negotiated regulated regime -- in other words, where we had negotiated what our generation sale would be. You might see an RFP type as it happened in First Energy be part of the extension.

But I believe that it is a cleaner, clearer, more doable path to extend the rate stabilization plan than try to re-energize the legislature or go directly to market. I think there is a great reluctance to go direct to market.

Craig Shere – Calyon Securites

Maybe we have time for one very quick last question.

John Quackenbush – UBS Global Asset Management

Yes, I just wanted to ask a couple related things on the gas pipeline operations. The Maritimes & Northeast, are there any developments in LNG in Eastern Canada that will help fill the Maritimes & Northeast pipeline? And secondarily, related to the Dawn storage, there are several plans out there now to bring Rockies gas to the Eastern U.S. Does that enhance or in any way detract from the value of the Dawn storage facility?

David Hauser - Duke Energy Corporation - CFO

There are two LNG projects in Northeastern Canada and they seem to be moving very well. We are in discussions with both projects of what would need to be done to the Maritimes and Northeast Pipeline if in fact those projects occur. But both of them actually seem to have the gas. And I wanted to interject on this, it is important to know that the gas, in fact, is there for the LNG project. And they both seem to be moving well.

With regard to Dawn, I think as gas begins to move from the Rockies, we will be looking at opportunities to tie that into our system. It is not as directly tied to the Dawn hub as you might think. But in general, the value of storage is going up. But it is not directly tied to the Rockies pipeline. There is no direct interconnection.

Craig Shere – Calyon Securites

With that, I think we're going to have to wrap up.
